**STATEMENT OF**
**THE SOIL AND WATER CONSERVATION SOCIETY**
**TO THE**
**CONSERVATION, CREDIT, RURAL DEVELOPMENT, AND RESEARCH SUBCOMMITTEE**
**HOUSE AGRICULTURE COMMITTEE**
**REGARDING CONSERVATION PROVISIONS OF A COMPREHENSIVE FARM BILL**

Mr. Chairman, members of the Committee, I want to thank you for the opportunity to appear before you today representing the Soil and Water Conservation Society (SWCS). My name is Craig Cox; I serve as Executive Vice President of the Soil and Water Conservation Society.

SWCS is an international, not-for-profit professional society, founded in 1943. Its mission is to foster the science and art of natural resource conservation. Our 10,000 members include professionals ranging from technicians who work one-on-one with landowners to researchers who seek to improve our basic understanding of conservation problems and solutions. Our members provide the scientific and technical foundation for implementing the conservation programs that are the subject of today's hearing. Agricultural policy and the farm bill, therefore, are critically important to our members.

Last spring, SWCS initiated a two-year project, *Seeking Common Ground for Conservation*, to help shape the conservation provisions of the 2002 farm bill. We invited state and local leaders with first-hand experience of the strengths and weaknesses of current agricultural conservation policy and programs to a series of five regional workshops. Participants representing the agricultural, water resources, and fish and wildlife communities mapped out a continuum of reforms to conservation and farm policy. SWCS took that map and developed specific recommendations that, in our best professional judgment, hold the most promise for addressing the hopes and concerns of the workshop participants.

Those recommendations are detailed in our new report, just released this morning, entitled "Seeking Common Ground for Conservation—A Farm Bill Proposal: Responding to the Grassroots." We are pleased to provide members and staff with copies of the report this afternoon. Additional copies can be obtained by contacting us at *pubs@swcs.org* or from our website at *www.swcs.org/t_seeking_intro.htm*.

In brief, workshop participants told us that the next farm bill must be about more than the price of corn—or wheat, or cotton, or rice, or any other agricultural commodity. It must be about caring for the land and keeping the people who work the land on the land. Participants were increasingly skeptical traditional commodity-based subsidies to achieve these goals.

Policymakers face fundamental choices as they begin reauthorizing the farm bill. Those choices go to the heart of what should be expected from conservation and farm policy. They should force an answer to two questions: (1) What do we want from conservation, and (2) what do we want from agriculture?

At a minimum, conservation policy and programs need to be strengthened so they can continue their traditional service to agriculture—but updated to address the environmental challenges that now confront farmers and ranchers. That will require a doubling of the current investment in U.S. Department of Agriculture (USDA) conservation technical services and financial assistance programs. New investment should ensure that all three compartments in the conservation tool box—technical services, financial assistance for conservation on working land, and financial assistance for land retirement and restoration—are well stocked with effective tools that work for agriculture and the environment. The first priority for new investment should be a doubling of funding for technical services and a tripling of funding for conservation on working land.

New funding should be accompanied by a series of minor and major reforms of existing programs and policy. The most important of those reforms are reaffirming the central place of technical services in the conservation endeavor, providing real authority and flexibility to states to tailor federal programs to their unique circumstances, and simplifying the process of participating in federal conservation programs by basing that participation on producers' conservation plans rather than on the administrative requirements of individual conservation programs.

But settling for the minimum would be a mistake at this juncture. Instead, reforms to conservation policy and programs should be coupled with a new vision for farm policy itself. Traditional farm subsidies should be balanced with a new option based on land stewardship.

Congress should authorize a minimum of $3 billion dollars annually—in addition to the $5 billion recommended to expand the reach of existing conservation programs—for a stewardship-based farm and ranch program that rewards producers for using their land, labor, and capital to enhance the environment. This new farm and ranch program should reward good actors through technical services and maintenance fees to keep existing conservation systems and habitat in place on their operations. It should also pay farmers and ranchers more who want to do more by installing new conservation systems. USDA state technical committees, local communities, and producers themselves should play a key role in seeing that the new vision stewardship program achieves key conservation objectives by determining which conservation systems and opportunities would make the greatest contribution to environmental enhancement at state and local levels.

In combination, these two reform agendas would create an agricultural policy that is truly open to all of agriculture and built on a solid foundation—the unique status and responsibility of farmers and ranchers as the caretakers of this nation's land, water, and wildlife. Our new report makes a series of recommendations for action to implement both reform agendas. I would like to highlight a few of those recommendations and the reasoning that led to their formulation for your consideration.

**Reforming Conservation Policy and Programs**

Conservation entered farm policy in the 1930s during a time of crisis—economic and ecologic. The role of conservation then was largely to serve agriculture by developing and managing soil and water resources as a means of enhancing agricultural production and rural development. Now, however, the challenge for agriculture and conservationists has changed. Environmental performance is becoming a key determinant of the commercial viability of agriculture. Producers operating animal feeding operations or irrigating cropland or pasture already are facing fundamental questions about the environmental sustainability of their operations.

Agriculture cannot escape the consequences of its environmental effects anymore than agriculture could escape the effects of land degradation in the 1930s. That is not because agriculture is bad, but because agriculture is big. More than half of the land area in the 48 contiguous states is agricultural land—cropland and grazing land. Almost 90 percent of all precipitation that falls in the continental United States falls on privately owned agricultural or forestland before it runs into streams, lakes, or underground water. About 70 percent of wildlife species depend upon private land for their habitat. The pressing question is whether we will organize ourselves to face this modern conservation challenge the same way we faced our historic challenge.

Existing conservation programs and policy can meet this new challenge just, as the challenge of the 1930s was met. But they must be updated and dramatically strengthened. *At a minimum, legislative action in the next farm bill must strengthen USDA conservation policy and programs enough to ensure that commercial viability and environmental quality become compatible goals.*

**Funding**

Funding for existing USDA conservation technical services and financial assistance programs should be doubled to about $5 billion annually—an increase, in percentage terms, comparable to what was accomplished in the 1985 farm bill. That investment produced dramatic reductions in soil erosion, protection of wetlands, and enhancement of fish and wildlife habitat. Since 1985, however, conservation funding has been flat in constant dollars. As a result, USDA conservation programs cannot meet producers' or the public's demands for conservation and environmental quality. USDA conservation programs remain dramatically oversubscribed. For example, the Wetlands Reserve Program (WRP) in 2000 recorded 3,171 offers on 567,000 acres that went unfunded. The unmet funding need, $524 million, was nearly four times the amount of money appropriated for the program that year. Likewise, only 30 percent of the 53,961 producers who applied for Environmental Quality Incentives Program (EQIP) funds in 2000 were awarded contracts. Funding needs were more than twice the $174 million available, and many producers reportedly did not apply for the program because of the limited number of contracts awarded in prior years.

The farm bill must make a major new investment in conservation to meet the needs of agriculture and taxpayers in 2002. Policy and program reform alone simply cannot close the conservation gap and serve the long-term interests of producers and taxpayers. Doing more with less is not a viable option.

**Balance among tools**

There are three basic compartments in the conservation tool box: (1) technical services—research, education, and technical assistance; (2) financial assistance for conservation on working land—integrating conservation into the food and fiber production systems used by farmers and ranchers; and (3) financial assistance for land retirement and restoration—shifting the primary focus on working land from food and fiber production to habitat restoration or protection of critical natural resources. Today, the toolbox is unbalanced.

In 1985, 97 cents of every financial assistance dollar from USDA supported conservation on working land; 3 cents were spent on land retirement. In 2000, land retirement accounted for 85 cents of every financial assistance dollar from USDA, while 15 cents went for conservation on working land. Over the same period, the federal investment in research, scientific and technical support, and direct technical assistance remained essentially flat, increasing less than 1 percent annually.

Most of the new investment in conservation should be used to strike a better balance among tools. Funding for technical services should be doubled to about $1.75 billion a year, and financial assistance for conservation on working land should be tripled to about $1 billion annually. The $5 billion conservation budget we recommend would thus strike a better balance and still leave room to increase funding for land retirement and restoration programs by about 30 percent.

**Technical services**

Weakness in this nation's technical services infrastructure is the single greatest impediment to meeting the conservation needs of landowners and the public's desire for environmental quality. Ultimately, farmers and ranchers do conservation; public programs do not. Timely, accurate, and appropriate advice and information from technically trained advisors in the public and/or private sectors is the key to successful conservation. Without it, financial aid is likely to be wasted or, worse, misdirected. In many cases, good technical advice alone is all that is needed to help producers implement conservation systems that promise economic as well as environmental returns.

More money for technical services—as recommended above—is the first step toward solving this problem. But we also need to change the way we think about technical services. Since 1985 technical assistance has shrunk from 60 percent of the conservation budget to about 30 percent of the conservation budget. This growing emphasis on financial assistance reflects a conclusion among policymakers that the primary barrier to implementation of conservation systems on farms and ranches is cost. Many studies, however, show that lack of knowledge, rather than cost, is the primary barrier to adoption of conservation systems by farmers and ranchers. The next farm bill must recognize and affirm technical assistance as the most important conservation program in and of itself—not merely a cost of delivering conservation financial assistance to producers. Congress should ask the Secretary of Agriculture for an action plan and estimated funding needed to ensure that all producers have access to timely and effective technical assistance from the public and/or private sectors.

## Flexibility

Conservation is a national interest, but like health care and education, it depends on local leadership. State and local leaders, whether they work in the private sector or in federal, state, or local government agencies, need greater authority over the way USDA programs operate in their states. Some workshop participants recommended block granting new and existing funds for USDA conservation programs to states as a means of achieving this objective. Block grant proposals, however, raised serious concerns among many participants about accountability and potential redirection of funds from objectives that are extremely important to those programs' constituents.

Instead, we think the innovations in program implementation used in the Conservation Reserve Enhancement Program (CREP) and Wildlife Habitat Incentives Program (WHIP) should be expanded to touch all USDA conservation programs. States, at their choice, could develop a single, comprehensive state conservation plan that would propose changes in implementation of any or all federal programs needed to meet state conservation objectives. Approved plans would provide much greater flexibility in program implementation and spark creative and innovative approaches to meshing local, state, federal, and private programs and initiatives.

States should be rewarded for undertaking such an endeavor, however, with more than flexibility and authority. They should also gain access to additional dollars. We envision a USDA-administered Conservation Partner Fund, created by using a portion of the funds appropriated each year for all USDA conservation financial assistance programs. Funds annually made available for conservation financial assistance programs—above a designated funding threshold for each program—would be pooled and made available, much like a grant program, to states that develop a comprehensive state conservation plan as outlined above.

Taken together, expanding the state plans and agreements pioneered in CREP and WHIP, with funding providing through a Conservation Partner Fund, could provide much of the flexibility proponents of block grants seek while maintaining the integrity and accountability of existing conservation programs.

## Fairness

Ensuring that all producers in all regions have access to the Conservation Reserve Program (CRP) would be a major step forward in achieving greater fairness in conservation programming. CRP accounts for more than 80 percent of the nation's current conservation financial aid spending. But one-third of that funding goes to five states, all in the Great Plains, and only land with a cropping history is eligible for enrollment. Substantial progress has been made in opening the CRP to additional states with implementation of the continuous sign-up and CREP initiatives. More could and should be done, however, particularly in regard to the limitations imposed by the cropping history requirement, to enroll land in the CRP. That cropping history requirement limits the application of CRP on rangeland, pasture, and other land that could provide substantial environmental benefits. That requirement also puts at a disadvantage those good actors who have already installed conservation practices otherwise eligible for the continuous CRP sign-up.

Cropping history requirements for CRP should be modified to permit enrollment of environmentally sensitive acres of rangeland, pasture, or other land without a cropping history, at appropriate rental rates, and eliminated for all practices eligible for the continuous CRP sign-up. Congress should mandate at least a 5-million-acre goal for conservation buffers within the CRP and encourage participation through higher financial incentives and greater flexibility in practice requirements.

**Simplification**

The multiplication of stand-alone conservation programs—each with its own unique value, but also its own unique planning, application, and eligibility requirements has created a confusing situation for landowners and for field staff. The notion of program consolidation, however, met with overwhelming opposition from workshop participants. Instead, we are recommending other, less dramatic steps to simplify the process of implementing programs for producers and field staff.

The first step we recommend is to make the producer developed conservation plan the basic entry point for multiple conservation financial assistance programs. Instead of producing multiple, often fragmentary plans to secure participation in a particular conservation financial assistance program, we would like to see producers work with technical advisors to develop a more comprehensive plan that integrates conservation into the farm and ranch operation in a way that meets a producer's economic and environmental objectives. That single producer driven plan should meet the planning requirements for all USDA conservation programs and open the door to eligibility under multiple financial assistance programs to implement the plan.

Second, we think simplification of EQIP is a particularly important objective given its importance as the only major source of financial assistance for conservation on working land. We think EQIP could be much improved by taking steps to move toward a continuous sign-up process and by reducing the upfront planning burden placed on producers and field staff. The single most important reform should be to eliminate the statutory bidding requirement that, as implemented, requires substantial upfront planning to apply for assistance. Instead, we recommend that a ranking process be used to estimate the projected environmental benefits from participation. Those producers already approved for participation, then, would only need more in-depth conservation planning. Producers and staff would have more certainty, and the environment would be better served.

## Reforming Farm Policy and Programs

Expanding the reach of existing conservation programs—as recommended above—should be the minimum expected from legislative action in the next farm bill. But it will be a serious mistake, for agriculture and American taxpayers, to settle for the minimum at this juncture.

Participants told us it was time "for a new vision for agriculture" as one participant put it. They wanted a new farm policy that supported—through conservation—all agricultural producers, producing all kinds of crops and livestock, on all kinds of land, in all regions of the country. Their goal was to keep people on the land, and they were skeptical about the effectiveness of traditional approaches to supply control, price support, and income subsidies. They recognized that producers who relied on production of subsidized commodities for a large share of income from their operations had become very dependent on government payments. But they worried that such dependence was unsustainable and not in the best interests of agriculture, taxpayers, or the environment.

**Concerns about traditional farm programs**

Abundant and cheap supplies of food and fiber, income support for struggling farmers, and economic support for rural communities are the three most often stated objectives of traditional farm policy. Those traditional policies are being challenged on their ability to address all three of these objectives.

Underlying all of the questions being raised is the fact that major structural changes have taken place in agriculture. In 1999, according to USDA's Economic Research Service (ERS), almost 70 percent of the value of all crops and livestock was produced by 8 percent of producers operating just 32 percent of all farm acres. From the standpoint of crop sales only, 8 percent of farmers accounted for 68 percent of crop sales from just 32 percent of all farm acres. The productive capacity of American agriculture is a miracle. In fact, American agriculture is so productive that it is questionable whether subsides are needed anymore to ensure an abundant and cheap supply of food and fiber.

The distribution of government subsidy payments has concentrated in fewer and fewer hands as production of subsidized commodities has concentrated on fewer and fewer farms. For example, about 47 percent of government payments in 1999 went to the 8 percent of farmers accounting for 68 percent of crop sales. Ninety-two percent of producers operating 68 percent of farm acres and producing 42 percent of crop sales shared the remaining 53 percent of government payments. As a result, the distribution of government payments diverges from what most taxpayers would recognize as equitable or efficient income support.

Fundamental changes in the nature of rural economies also have reduced the effectiveness of farm subsidies as economic development engines for rural communities. According to another ERS study, only about 37 percent of farm subsidies payments went to farmers in counties where those payments would be expected to play a significant role in the local economy.

At the same time, recognition of the importance of farmers and ranchers as natural resource and environmental managers is growing. Working land—land used primarily to produce food and fiber—is, literally, the last frontier for environmental enhancement. Just as the land use and management decisions made by producers can impair the environment, those decisions also can create fish and wildlife habitat, contribute to clean and abundant supplies of water, protect against the risks of climate change, and create recreational opportunities.

**More balance in farm policy**

Room should be made in farm policy itself for a program that supports farmers and ranchers based upon their unique role as caretakers of most of the land in this nation, rather than as producers of commodities that, more often than not, are in oversupply.

The traditional tools of farm support clearly have their place in a new farm policy. Those tools will be particularly important for those producers who depend largely or exclusively on income from sales of undifferentiated commodities—the raw materials of the modern food and fiber production system. But we also think there is great advantage to agriculture and taxpayers by bringing on line new tools that hold greater promise for all of agriculture, rural communities, and taxpayers. Those new tools should include research, marketing assistance, rural economic development, and conservation, among others. Most of those tools really are not new. What would be new is a farm policy that seeks to create a better balance in policy attention and funding among the tools—a balance based on clear recognition of the realities of the current structure of agriculture, the food and fiber system, a global economy, and the environment.

Conservation has unique advantages as a component of a more balanced farm policy. For taxpayers, conservation at the center of farm policy would allows us to go beyond damage control, and even pollution prevention, to widespread environmental enhancement. To go beyond meeting minimum standards required by regulation to release creativity and entrepreneurial spirit in the service of conservation and environmental quality. Working cooperatively with the nation's farmers and ranchers as partners in environmental enhancement could become the third leg of this nation's conservation stool—complementing land acquisition and regulation where needed—to create a balanced approach to environmental management.

For agriculture, such a policy change would create the opportunity to use conservation to help keep people on the land and to escape some of the contradictions created by current farm policy. The land and its management would drive conservation rather than the amount or kind of commodities produced. That means all farmers and ranchers, producing all kinds of commodities, in all regions of the country could participate in environmental enhancement.

Conservation could and should reach those 92 percent of farms operating 68 percent of the acres, but producing only 31 percent of the value of food and fiber products. Though many of these producers are not big players in the commodity market or international trade, those producers are, or could be, big players in the conservation market. Producers in Canada, Mexico, Argentina, Brazil, and France can compete in corn, soybean, wheat, and beef markets; they cannot compete with this nation's farmers in contributing to clean water or fish and wildlife habitat. The environment is a niche market, but one in which every farmer and rancher has a niche.

Using conservation as a basis for support programs would provide more options for policymakers and producers, instead of attempting to fit an increasingly diverse and complex agricultural sector into a one-size-fits-all subsidy program. This nation could diversify agricultural policy to reflect the needs and unique circumstances of different farming and ranching operations. It could design a policy that works for those handful of producers who dominate commodity markets and trade, and it could design a policy that works for all those other producers in whose hands the country entrusts the management and care of most of its land, water, and wildlife.

**Stewardship-based option for agriculture**

Congress should authorize a minimum of $3 billion dollars within farm programs for a stewardship-based farm and ranch program that rewards producers for utilizing their land, labor, and capital to enhance the environment. This new program should be open to all agricultural producers of all agricultural commodities in all regions of the country.

This new program should reward good actors through technical services and maintenance fees to keep existing conservation systems and habitat in place on their farms and ranches. It should also pay farmers and ranchers who want to do more by installing new conservation systems. Those payments should be determined by (1) relying on local input to identify the environmental goods and services of most value to the local community and relying on states to harmonize those values with state and national values, (2) calculating payments based on "level of effort" as estimated by cost, on a preliminary basis, of the practice and any economic value forgone until the technical capability to quantify benefits directly is strengthened, (3) distinguishing between "maintenance costs" and "installation costs" when valuing existing versus new investments in conservation, and (4) tithing the funds made available to the new vision program to invest in the research and testing needed to develop tools to estimate environmental benefits

We think the issue of what taxpayers should be expected to pay for and, alternatively, what farmers and ranchers should be expected to pay for themselves will loom large, especially if billions of dollars of taxpayers' money are at stake, as we recommend. This issue has already been raised, for example, in implementation of EQIP. Large, confined animal feeding operations have been declared ineligible for financial assistance for the design and implementation of manure management structures. The determination of who gets paid and what they get paid for involves questions of justice, fairness, and social values, in addition to environmental goods and services. Failure to resolve such issues could and probably will create a serious stumbling block for implementation of a program that achieves the vision created by our workshop participants.

We think the best way to resolve these issues would be for local producers and citizens—with guidance from USDA state technical committees—to define a "minimum bar" over which producers must pass to become eligible for payments under the new vision program. This minimum bar would represent a general agreement between producers themselves and local citizens on those conservation practices that are considered a minimum obligation of land ownership and those practices that go beyond that minimum and deserve taxpayers' support.

The new stewardship-based farm and ranch program could and should be designed to complement existing conservation programs in five key ways—be available to all producers based on their willingness to make a commitment to conservation; prevent conservation problems before they require more expensive treatment; spur widespread enhancement of the environment rather than damage control; emphasize a transition to production systems that enhance, not just protect, the environment; and emphasize development, field-testing, and demonstration of innovative production systems that integrate conservation directly into food and fiber production.

**Reaffirm and strengthen conservation compliance**

The role for compliance measures in a new farm bill was a contentious issue for workshop participants and during our deliberation leading to the recommendations in this report. A fully funded, effective conservation program of the magnitude envisioned in this report would be the preferred way to jumpstart conservation and environmental enhancement on farms and ranches across the country. However, the history of funding since 1985 clearly shows that actual appropriations often lag well behind authorized levels, and many new and promising conservation financial assistance programs have floundered because of lack of funding.

We think it is appropriate to affirm and strengthen current conservation compliance measures to address the following key concerns. Workshop participants were nearly unanimous in their sense of injustice if producers were allowed to break out fragile land and subsequently be subsidized by taxpayers for enrolling those acres in CRP or another conservation program. Participants thought this was an affront to good stewards and a prime example of conservation programs rewarding the wrong behavior. The so-called "super sodbuster" provision had, in the past, addressed this issue by precluding the breaking out and cropping of highly erodible land if a producer had already enrolled in the CRP.

Crop insurance, revenue insurance, and other legitimate programs to help producers manage risk can create significant incentives to bring fragile and risky land into production. Crop insurance is currently exempted from compliance provisions—an exemption created to encourage participation and reduce reliance on annual disaster payments. Crop insurance reform with its increased subsidies, however, appears to have spurred participation in the program, and the potential for heavy reliance on revenue insurance as a mainstay of risk management and income support suggests to us that it is time to extend conservation compliance to crop insurance and any new insurance-based approaches to risk management and income support that may be authorized in the next farm bill.

Finally, the highly erodible land provisions of the 1985 farm bill, though effective, appear to have left unaddressed an important segment of the nation's soil resources. About 50 million acres of nonhighly erodible land is, according to the 1997 National Resources Inventory, eroding at rates exceeding the soil loss tolerance. Asking producers who receive subsidies to take action to achieve a significant reduction in erosion on those acres—less than 15 percent of total cropland—would go a long way toward finishing the historic task started in the 1985 farm bill.

Mr. Chairman, members of the Committee, I want to thank you again for the opportunity to share our thoughts with you today. A review of the testimony posted on the Committee's website makes it clear that shaping a comprehensive farm bill is a daunting task. The competing visions and priorities reflected by that testimony is evidence of the complexity and importance of agriculture to the economy, the environment, and taxpayers. SWCS would like to offer help whatever way we can as you undertake this task.